



# FACT SHEET

## *U.S.-Panama Trade Promotion Agreement t* Utah Farmers Will Benefit

September 2008

The U.S.-Panama Trade Promotion Agreement eliminates tariffs and other barriers on most U.S. goods, increasing export opportunities for agricultural products important to Utah. With immediate elimination of duties on over 60 percent of current U.S. trade, this agreement changes the one-way street of duty-free access currently enjoyed by most Panamanian exports into a two-way street benefiting both countries. The American Farm Bureau strongly supports the agreement, predicting widespread gains for U.S. agriculture exceeding \$190 million per year.

Utah's exports to all countries, estimated at \$344 million in 2007, supported about 3,600 jobs, on and off the farm. These important export sales account for 25 percent of Utah's farm economy, which had total cash receipts of \$1.2 billion in 2006.

**Beef.** The cattle and calf industry generated cash receipts of \$413 million in 2006, or 33 percent of the state's agricultural total. The industry can profit from the Panama FTA.

- Panama will immediately eliminate its 30-percent duty on beef products of most importance to the U.S. beef industry--prime and choice cuts. Panama's tariffs on other cuts of beef will be phased out over 15 years.
- The 10-percent tariff on beef tongues and livers will be eliminated in 5 years, and the 15-percent tariffs on other edible offal will be eliminated immediately.
- Panama has already implemented our December 2006 bilateral agreement on sanitary and phytosanitary (SPS) measures, reopening its market to U.S. beef by bringing its import requirements related to BSE into compliance with international standards.
- Panama also accepted the equivalence of the U.S. meat inspection system, which allows U.S. inspectors to certify beef for export to Panama without having each facility and shipment inspected by Panamanian authorities.

**Dairy Products.** Accounting for the second largest source of farm cash receipts with earnings of \$218 million in 2006, Utah's dairy industry can benefit from the Panama agreement.

- U.S. exporters will have immediate duty-free access to nine preferential dairy

- tariff-rate quotas (TRQs) with a combined total of 3,986 tons. These include 2,625 tons of skim milk powder, 728 tons of cheese, 263 tons of ice cream, and 370 tons of other dairy products. These quantities will grow by 4 or 5 percent each year and the over-quota tariffs for these TRQs, which range from 15 percent for ice cream to 50 percent for milk powders, will be phased out in 15 to 17 years.
- U.S. dairy exporters will continue to have access to the global TRQs for 3,830 tons of milk powder and 3,782 tons of cheese that are part of Panama's World Trade Organization commitments.
  - In addition, Panama has already implemented our December 2006 bilateral agreement on SPS measures and technical standards by recognizing the equivalence of the U.S. food safety systems for processed foods, including dairy products, and by streamlining its product registration system for packaged foods. This will allow U.S. food processors to export dairy products to Panama without burdensome paper work and without having each facility and shipment inspected by Panamanian authorities.
  - The National Milk Producers Association supports the Agreement, noting that "Panama imports nearly half its dairy products, and the U.S. stands to become a larger supplier once the FTA is finalized."

**Pork.** Utah's hog industry is the third largest source of farm cash receipts, and the industry can benefit from the Panama agreement.

- Panama will provide immediate duty-free access within preferential TRQs for 2,554 tons of U.S. pork products, including 1,600 tons of fresh and frozen pork cuts, 636 tons of pork fat and bacon, and 318 tons of processed pork. Most of these products currently face tariffs of 70 percent. The TRQ quantities will expand and the over-quota tariffs will be eliminated in 15 years.
- Panama will also eliminate its 10-percent tariff on pork variety meats immediately on entry into force of the Agreement.
- In addition, Panama has already implemented our December 2006 bilateral agreement on SPS measures by recognizing the equivalence of the U.S. meat inspection system, allowing U.S. inspectors to certify pork for export to Panama without having each facility and shipment inspected by Panamanian authorities.
- The National Pork Producers Council supports the Agreement, saying "This agreement will contribute greatly to the bottom line of U.S. pork producers by opening up new market access to more than 3 million additional consumers in the Western Hemisphere."

**Wheat.** Wheat and wheat products are Utah's largest agricultural export with estimated sales of \$116 million in 2007. Wheat growers can benefit from this agreement.

- Panama's current zero-tariff treatment for wheat will be locked in place immediately upon implementation of the Agreement.
- The 10-percent tariff on wheat flour will be eliminated within 12 years.